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# Executive Summary Report

**Appraisal Date 1/1/03 - 2003 Assessment Roll**

**Specialty Name:** High-Tech/Flex Properties

**Sales – Improved Analysis Summary:**

Number of Sales: 16

Range of Sales Dates: 4/00 – 12/02

**Sales – Ratio Study Summary:**

	Mean Assessed Value	Mean Sale Price	Ratio	COV*
<b>2002 Value</b>	\$10,975,800	\$12,605,300	87.1%	18.71%
<b>2003 Value</b>	\$12,090,700	\$12,605,300	95.9%	8.22%
<b>Change</b>	+\$1,114,900	-	+8.8%	-10.49%
<b>% Change</b>	+10.16%	-	+10.10%	-56.07%

\*COV is a measure of uniformity, the lower the number the better the uniformity.

The negative figures of –10.49% and –56.07% represent an improvement.

Sales used in Analysis: All sales verified as good were included in the analysis.

**Total Population - Parcel Summary Data:**

	Land	Imps	Total
<b>2002 Value</b>	\$ 512,357,800	\$ 1,402,346,500	\$ 1,914,704,300
<b>2003 Value</b>	\$ 563,340,700	\$ 1,411,800,900	\$ 1,975,141,600
<b>Percent Change</b>	+ 9.95%	+.67%	+ 3.16%

Number of Parcels in the Population: 174

**Conclusion and Recommendation:**

The total number of the sales sample is noted to be low for standard regression analysis, however since the values recommended in this report improve uniformity, assessment level and equity, we recommend posting them for the 2003 Assessment Roll.

## **Analysis Process**

### ***Specialty***

Specialty Area – 510 - High-Tech/Flex Properties

### ***Highest and Best Use Analysis***

**As if vacant:** Market analyses of the area, together with current zoning and current and anticipated use patterns, indicate the highest and best use of the land.

**As if improved:** Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. We find that the current improvements do add value to the property, in most cases, and therefore are the highest and best use of the property as improved. In those properties where the property is not at its highest and best use a token value of \$1,000 is assigned to the improvements.

### ***Special Assumptions, Departures and Limiting Conditions***

The sales comparison, income and cost approaches to value were considered for this mass appraisal valuation.

The following Departmental guidelines were considered and adhered to:

- Sales from 4/2000 to 12/2002 (at minimum) were considered in the analyses.
- No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of multiple years of market information without time adjustments averaged any changes over that time period.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

## ***Identification of the Area***

Name or Designation: High-Tech/Flex Properties

Boundaries: The properties are located throughout King County but are predominantly situated between Bellevue/Overlake and Bothell/North Creek.

### **Maps:**

A GIS map of the entire area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

### **Area Description:**

The High-Tech/ Flex Specialty Properties are generally defined as buildings that include a combination of warehouse, light industrial use, and/or office area. The occupants tend to be engaged in a variety of High-Tech enterprises that may include computer software and hardware, telecommunications, medical instrumentations, and corporate offices. The corporate offices of Microsoft, Nintendo, Safeco, and Eddie Bauer are included. The typical building often includes general offices, assembly areas, and/or computer rooms, and generally run above a 40% build-out ratio. The buildings tend to be of higher quality finish and may have multiple fiber optic lines with additional power, mechanical, and communications facilities than are found in typical Business Parks.

For this revalue period, the High-Tech/Flex industry continues to adjust to the overall turmoil in the technology and office market. Vacancy rates continue at historical high levels and lease rates are continuing to show decreases from previous years. Capitalization rates are noted to have fallen reflecting in part the historically low interest rates. In spite of these conditions, the sales market continues to hold. The result has been a relatively small change in the overall assessed values.

### ***Physical Inspection Area:***

40 properties were reviewed for the physical inspection of this revalue.

### ***Preliminary Ratio Analysis***

A Preliminary Ratio Study was done June 2003.

The study included sales of improved parcels and showed a COV of 18.71%.

A Ratio Study was completed after deriving the recommended values for 2003. The results are included in the validation section of this report and show an improvement in the COV from the previous rate of 18.71% to a proposed rate of 8.22%.

## ***Land Value***

### ***Land Sales, Analysis, Conclusion***

The respective geographic appraisers valued all land.

A list of vacant sales used and those considered not reflective of market are included in the geographic appraiser's reports.

## **Improved Parcel Total Values:**

### ***Sales comparison approach model description***

The model for sales comparison was based on several data sources from the Assessor's records including LUC (land use code), net rentable area, effective year, condition, and sales price/rentable area. A search was made on data that most closely fit a subject property within each geographic area. All sales were verified when possible by calling either the purchaser, seller or agent, inquiring in the field, or using the CoStar COMPS services. Characteristic data was verified for all sales if possible. A list of the sales are included within this report.

### ***Sales comparison calibration***

After an initial search for comparable sales within each geographic area, a search is made in neighboring areas and expanded to include all of King County if necessary.

### ***Cost approach model description***

A cost approach was available using the Marshall & Swift Commercial Estimator. Depreciation was also based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the western region and the Seattle area.

### ***Cost calibration***

Each appraiser valuing by cost can individually calibrate Marshall-Swift valuations to specific buildings in our area by accessing the parcel computerized valuation model supplied by Marshall & Swift.

### ***Income capitalization approach model description***

The specialty properties are located throughout King County with the concentration falling between Redmond and Bothell, generally referred to as the Technology Corridor. A map showing the Specialty Property sites is included within this report.

Vacancy rates have increased since last year and were adjusted to reflect the different neighborhood conditions. Overall vacancy rates were generally set between 12% and 15%. Individual building rates were noted to vary reflecting unusual tenant conditions and changes.

Office rents were valued on a triple-net basis with a breakout of the office/warehouse components. Rents varied per neighborhood and generally were based between \$12 to \$15.00 per NRA per year for office space and \$6 and \$7.2 per NRA per year (\$.50-.60 per NRA per month) for warehouse space. Individual adjustments were made to reflect the buildings location, age, and condition.

Capitalization rates generally ranged from 7.8% to 10.25% and a uniform 10% was applied for expenses.

### **Income approach calibration**

The models were calibrated after setting the base rents by using adjustments based on size, effective age, construction class and quality as recorded in the Assessor's records. Properties were valued based on the income tables included within this report. The individual property valuation information is available within Assessor records. Additional factors considered were excess land, economic units, or unique features with the property.

### ***Reconciliation and or validation study of calibrated value models including ratio study of hold out samples.***

The values for all parcels were individually reviewed by the speciality appraiser before the final value was selected.

## **Model Validation**

### ***Total Value Conclusions, Recommendations and Validation:***

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust particular characteristics and conditions as they occur in the valuation area.

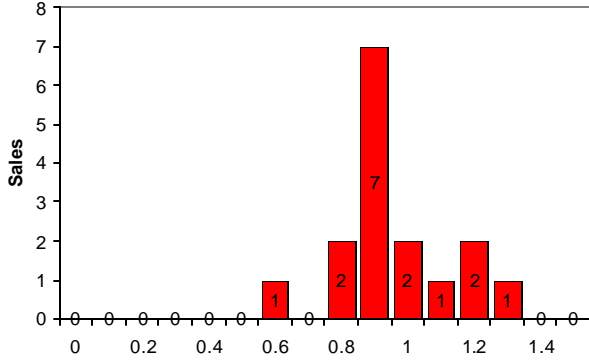
*The Speciality Appraiser recommends application of the Appraiser selected values, as indicated by the appropriate model or method.*

The total assessed value for the 2002 assessment year for High-Tech properties was \$1,914,704,300. The total recommended assessed value for the 2003 assessment year is \$1,975,141,600. The total increase is \$60,437,300.

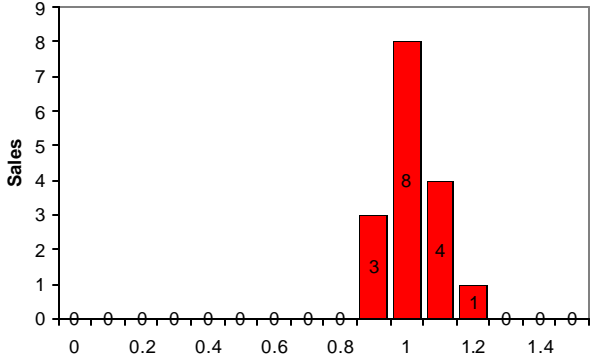
Application of the recommended values for the 2003 assessment year (taxes payable in 2004) results in an average total change from the 2002 assessments of +3.16%.

**Note:** More details and information regarding aspects of the valuations and the report are retained in the working files and folios kept in the appropriate district office.

## Present Improvement Ratio Calculation for Specialty Area 510

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:				
East Crew	1/1/2002	6/30/2003	4/24/00 - 12/5/02				
Area	Appr ID:	Prop Type:	Trend used?: Y / N				
510	EPRE	Improvement	N				
SAMPLE STATISTICS							
Sample size (n)	16	<div>Ratio Frequency</div>  <p>A histogram showing the frequency of sales ratios. The x-axis is labeled 'Ratio' and ranges from 0 to 1.4. The y-axis is labeled 'Sales' and ranges from 0 to 8. The bars represent the following frequencies: 0.6-0.7: 1, 0.7-0.8: 2, 0.8-0.9: 7, 0.9-1.0: 2, 1.0-1.1: 1, 1.1-1.2: 2, 1.2-1.3: 1, 1.3-1.4: 0.</p>					
Mean Assessed Value	10,975,800						
Mean Sales Price	12,605,300						
Standard Deviation AV	5,615,762						
Standard Deviation SP	7,523,136						
ASSESSMENT LEVEL							
Arithmetic mean ratio	0.907	<div>These figures reflect the ratio of Sales compared to the Current Values</div>					
Median Ratio	0.880						
Weighted Mean Ratio	0.871						
UNIFORMITY							
Lowest ratio	0.5589						
Highest ratio:	1.2200	<div>These figures reflect the ratio of Sales compared to the Current Values</div>					
Coefficient of Dispersion	14.04%						
Standard Deviation	0.1696						
Coefficient of Variation	18.71%						
Price-related Differential	1.04						
RELIABILITY							
95% Confidence: Median		<div>These figures reflect the ratio of Sales compared to the Current Values</div>					
Lower limit	0.823						
Upper limit	1.023						
95% Confidence: Mean							
Lower limit	0.824						
Upper limit	0.990						
		<div>These figures reflect the ratio of Sales compared to the Current Values</div>					
SAMPLE SIZE EVALUATION							
N (population size)	174						
B (acceptable error - in decimal)	0.05						
S (estimated from this sample)	0.1696						
Recommended minimum:	37						
Actual sample size:	16						
Conclusion:	Uh-oh	<div>These figures reflect the ratio of Sales compared to the Current Values</div>					
NORMALITY							
Binomial Test							
# ratios below mean:	10						
# ratios above mean:	6						
z:	0.75						
Conclusion:	Normal*	<div>These figures reflect the ratio of Sales compared to the Current Values</div>					
*i.e., no evidence of non-normality							

## Future Improvement Ratio Calculation for Specialty Area 510

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:				
East Crew	1/1/2003	6/30/2003	4/24/00 - 12/5/02				
Area	Appr ID:	Prop Type:	Trend used?: Y / N				
510	EPRE	Improvement	N				
SAMPLE STATISTICS							
Sample size (n)	16	<div>Ratio Frequency</div> 					
Mean Assessed Value	12,090,700						
Mean Sales Price	12,605,300						
Standard Deviation AV	6,841,115						
Standard Deviation SP	7,523,136						
ASSESSMENT LEVEL							
Arithmetic mean ratio	0.972	These figures reflect the ratio of Sales compared to the Proposed Values					
Median Ratio	0.959						
Weighted Mean Ratio	0.959						
UNIFORMITY							
Lowest ratio	0.8740						
Highest ratio:	1.1482						
Coefficient of Dispersion	6.93%						
Standard Deviation	0.0799						
Coefficient of Variation	8.22%						
Price-related Differential	1.01						
RELIABILITY							
95% Confidence: Median							
Lower limit	0.906						
Upper limit	1.030						
95% Confidence: Mean							
Lower limit	0.932						
Upper limit	1.011						
SAMPLE SIZE EVALUATION							
N (population size)	174						
B (acceptable error - in decimal)	0.05						
S (estimated from this sample)	0.0799						
Recommended minimum:	10						
Actual sample size:	16						
Conclusion:	OK						
NORMALITY							
Binomial Test							
# ratios below mean:	8						
# ratios above mean:	8						
z:	-0.25						
Conclusion:	Normal*						
*i.e., no evidence of non-normality							



## Exception Parcels

Account	Property Name	Comments
342605-9037	INTER POINT INC	Excess Land
342605-9094	INTERPOINT BUILDING	Excess Land
092304-9031	VACANT - INTERGATE WEST	Land Only
102304-9080	VACANT - INTERGATE EAST	Land Only
109910-0001	VACANT - TELEDESIC	Land Only
142505-9010	VACANT - MICROSOFT (former Space Labs)	Land Only
142505-9014	VACANT - MICROSOFT (former Space Labs)	Land Only
272605-9022	VACANT - PHYSIO CONTROL N. BLD	Land Only
983630-0450	VACANT - PHYSIO CONTROL S. BLD	Land Only
342605-9112	VACANT - AEROJET GENERAL CORP	Land Only
342605-9113	VACANT - AEROJET GENERAL CORP	Land Only

## 2003 Sales Used

Parcel Number	Description	Address	Excise TaxNbr	Sale Price	Sale Date	Prcl Cnt	Ver Code
1099100005	TELEDESIC	1445 120TH AV NE	1773533	13,050,000	08/21/00	2	2
1425059020	IMPERIAL SQUARE	4800 148TH AV NE	1931077	13,350,000	12/30/02	1	2
1526059075	OAK TREK BUSINESS CTR	15511 WOODINVILLE-REDMOND RD	1748787	3,680,000	04/24/00	1	2
2124069003	SAMMAMISH PARK PLACE - BLDG A	22011 SE 51ST ST	1806614	18,518,851	03/21/01	1	2
2124069131	SAMMAMISH PARK PLACE - BLDG B	5150 220TH AV SE	1806615	20,933,979	03/21/01	1	2
2124069132	SIEMENS QUANTUM INC	22010 SE 51ST ST	1780232	17,961,132	10/01/00	1	2
2325059038	MICROSOFT - H & N INTERNATIONAL	15303 40TH ST NE	1914709	2,440,000	10/9/02	1	2
3426059002	AEROJET GENERAL CORP	11441 139TH PL NE	1913845	17,200,000	10/2/02	4	2
6979200230	WRIGHT BLDG	19201 120TH AV NE	1796842	8,600,000	01/17/01	1	2
6979300010	NORTH CREEK PRWY CTR	18912 NORTH CREEK PW	1927252	31,240,000	12/5/02	6	2
6979500040	QUADRANT WILLOWS CORP CTR BLDG D	11261 WILLOWS RD NE	1792015	9,250,000	12/15/00	1	2
6979500050	QUADRANT WILLOWS CORP CTR BLDG E	11121 WILLOWS RD NE	1758761	11,719,140	06/08/00	1	2
7201000010	REDMOND HEIGHTS TECH CENTER A B C	8561 WILLOWS RD NE	1927256	15,292,000	12/5/02	2	2
7201700070	WILLOW THREE	15120 NE 92ND ST	1752266	5,000,000	05/08/00	3	2
7201700070	WILLOW THREE	15120 NE 92ND ST	1821242	5,850,000	05/31/01	3	2
9430500010	WILLOWS RUN	9840 WILLOWS RD	1748290	7,600,000	04/20/00	1	2

## USPAP Compliance

### **Client and Intended Use of the Appraisal:**

*This summary mass appraisal report is intended for use only by the King County Assessor and other agencies or departments administering or confirming ad valorem property taxes. Use of this report by others is not intended by the appraiser. The use of this appraisal, analyses and conclusions is limited to the administration of ad valorem property taxes in accordance with Washington State law. As such it is written in concise form to minimize paperwork. The assessor intends that this report conform to the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for a summary mass appraisal report as stated in USPAP SR 6-7. To fully understand this report the reader may need to refer to the Assessor's Property Record Cards, Assessors Real Property Data Base, separate studies, Assessor's Procedures, Assessor's field maps, Revalue Plan and the statutes.*

*The purpose of this report is to explain and document the methods, data and analysis used in revaluation of King County. King County is on a six year physical inspection cycle with annual statistical updates. The revaluation plan is approved by Washington State Department of Revenue. The revaluation is subject to their periodic review.*

### **Definition and date of value estimate:**

#### **Market Value**

*The basis of all assessments is the true and fair value of property. True and fair value means market value (Spokane etc. R. Company v. Spokane County, 75 Wash. 72 (1913); Mason County Overtaxed, Inc. v. Mason County, 62 Wn. 2d (1963); AGO 57-58, No. 2, 1/8/57; AGO 65-66, No. 65, 12/31/65) . . . or amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell. In arriving at a determination of such value, the assessing officer can consider only those factors which can within reason be said to affect the price in negotiations between a willing purchaser and a willing seller, and he must consider all of such factors. (AGO 65,66, No. 65, 12/31/65)*

#### **Highest and Best Use**

WAC 458-12-330      **REAL PROPERTY VALUATION—HIGHEST AND BEST USE.**

*All property, unless otherwise provided by statute, shall be valued on the basis of its highest and best use for assessment purposes. Highest and best use is the most profitable, likely use to which a property can be put. It is the use which will yield the highest return on the*

*owner's investment. Uses which are within the realm of possibility, but not reasonably probable of occurrence, shall not be considered in estimating the highest and best use.*

*If a property is particularly adapted to some particular use this fact may be taken into consideration in estimating the highest and best use. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922)) The present use of the property may constitute its highest and best use. The appraiser shall, however, consider the uses to which similar property similarly located is being put. (Finch v. Grays Harbor County, 121 Wash. 486 (1922)) The fact that the owner of the property chooses to use it for less productive purposes than similar land is being used shall be ignored in the highest and best use estimate. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922))*

*Where land has been classified or zoned as to its use, the county assessor may consider this fact, but he shall not be bound to such zoning in exercising his judgment as to the highest and best use of the property. (AGO 63-64, No. 107, 6/6/64)*

### **Date of Value Estimate**

*All property now existing, or that is hereafter created or brought into this state, shall be subject to assessment and taxation for state, county, and other taxing district purposes, upon equalized valuations thereof, fixed with reference thereto on the first day of January at twelve o'clock meridian in each year, excepting such as is exempted from taxation by law. [1961 c 15 §84.36.005]*

*The county assessor is authorized to place any property that is increased in value due to construction or alteration for which a building permit was issued, or should have been issued, under chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building permits on the assessment rolls for the purposes of tax levy up to August 31st of each year. The assessed valuation of the property shall be considered as of July 31st of that year. [1989 c 246 § 4]*

*Reference should be made to the property card or computer file as to when each property was valued. Sales consummating before and after the appraisal date may be used and are analyzed as to their indication of value at the date a valuation. If market conditions have changed then the appraisal will state a logical cutoff date after which no market date is used as an indicator of value.*

### **Property rights appraised:**

#### **Fee Simple**

*The definition of fee simple estate as taken from The Third Edition of The Dictionary of Real Estate Appraisal, published by the Appraisal Institute. "Absolute ownership*

*unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”*

**Special assumptions and limiting conditions:**

*That no opinion as to title is rendered. Data on ownership and the legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements, and restrictions unless shown on the maps or property record cards. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.*

*That no engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.*

*That rental areas herein discussed have been calculated in accord with standards developed by the American Standards Association as included in Real Estate Appraisal Terminology.*

*That the projections included in this report are utilized to assist in the valuation process and are based on current market conditions, anticipated short term supply and demand factors, and a continued stable economy. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraiser and could affect the future income or value projections.*

*That no responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.*

*That the appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in our analysis to any potential diminution in value should such hazardous materials be found. We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.*

*That no opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.*

*That maps, plats, and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.*

*Exterior inspections were made of all properties however, due to lack of access few received interior inspections.*

*The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.*

*We appraise fee simple interest in every property. Unless shown on the Assessor's parcel maps, we do not consider easements as adversely affecting property value.*

*We have attempted to segregate personal property from the real estate in our appraisals.*

*We have not appraised movable equipment or fixtures as part of the real estate. We have appraised identifiable permanently fixed equipment with the real estate in accordance with RCW 84.04.090 and WAC 458-12-010.*

*We have considered the effect of value of those anticipated public and private improvements of which we have common knowledge. We can make no special effort to contact the various jurisdictions to determine the extent of their public improvements.*

*The appraisers have no personal interest or bias toward any properties that they appraise.*

***Departure Provisions:***

***Which if any USPAP Standards Rules were departed from or exempted by the Jurisdictional Exception***

*SR 6-2 (g)*

*The assessor has no access to title reports and other documents. Because of budget limitations we did not research such items as easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations and special assessments. The mass appraisal must be completed in the time limits as indicated in the Revaluation Plan and as budgeted.*

## MEMORANDUM

DATE: January 31, 2003

TO: Commercial Appraisers

FROM: Scott Noble, Assessor

SUBJECT: 2003 Revaluation for 2004 Tax Roll

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The King County Assessor, as elected representative of the people of King County, is your client for the mass appraisal and summary report. The King County Department of Assessments subscribes to the Uniform Standards of Professional Appraisal Practice 2003. You will perform your appraisals and complete your summary mass appraisal reports in compliance with USPAP 2003. The following are your appraisal instructions and conditions:

1. You are to timely appraise the area or properties assigned to you by the revalue plan. The Departure Provision of USPAP may be invoked as necessary including special limiting conditions to complete the Revalue Plan.
2. You are to use all appropriate mass appraisal techniques as stated in USPAP, Washington State Law; Washington State Administrative Code, IAAO texts or classes.
3. The standard for validation models is the standard as delineated by IAAO in their Standard on Ratio Studies (approved 1999); and
4. Any and all other standards as published by the IAAO.
5. Appraise land as if vacant and available for development to its highest and best use [USPAP SR 6-2(i)]. The improvements are to be valued at their contribution to the total.
6. You must complete the revalue in compliance with all Washington and King County laws, codes and with due consideration of Department of Revenue guidelines. The Jurisdictional Exception is to be invoked in case USPAP does not agree with these public policies.

7. Physical inspections should be completed per the revaluation plan and statistical updates completed on the remainder of the properties as appropriate.
8. You must complete a written, summary, mass appraisal report for each area and a statistical update report in compliance with USPAP Standard 6.
9. All sales of land and improved properties should be validated as correct and verified with participants as necessary.
10. You must use at least two years of sales. No adjustments to sales prices shall be made to avoid any possibility of speculative market conditions skewing the basis for taxation.
11. Continue to review dollar per square foot as a check and balance to assessment value.
12. The intended use of the appraisal and report is the administration of ad valorem property taxation.
13. The intended users include the Assessor, Board of Equalization, Board of Tax Appeals, King County Prosecutor and Department of Revenue.

SN:swr